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AUTHOR	Levitan, Sar A.; Mangum, Stephen L.
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ABSTRACT

The current displaced worker initiative towers over the 30-year effort to bring the economically disadvantaged into the mainstream of the labor market. The Congressional Budget Office defines displacement as all workers 18 years of age and older who lose full-time employment due to slack work, job abolition, or plant closure. Major displaced worker programs include the following: unemployment insurance, Trade Adjustment Act, Redwoods Employee Protection Program, Job Training Partnership Act Title III augmented by the Economic Dislocation and Worker Adjustment Act, and Worker Adjustment and Retraining Notification Act. A number of Department of Defense programs contain displaced worker initiatives. The Clinton administration's vision of work force investment and security consists of multiple components: comprehensive worker adjustment services for permanently laid-off workers; one-stop career centers; a school-to-work program; a system of national skills standards and skill certification; expansion of the Job Corps; and the Youth Fair Change initiative. The one-stop career center concept raises a number of interagency turf conflicts at federal, state, and local levels. The proposed Reemployment Act faces significant debate because of its financing mechanism, an increase in the federal unemployment compensation tax, and its large total price tag. Doing less for the displaced is not the answer to the need of the disadvantaged, however. The value of any employment and training initiatives for either group is sharply diminished by the absence of an ongoing job creation program. (YLB)

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The Displaced vs. The Disadvantaged: A Necessary Dichotomy?

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Stephen L. Mangum

Center for
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May 1994

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THE DISPLACED vs. THE DISADVANTAGED: A NECESSARY DICHOTOMY?

Sar A. Levitan and Stephen L. Mangum

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Center for Social Policy Studies
The George Washington University
1717 K Street, N.W., Suite 1200
Washington, D.C. 20006

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Looming Priorities

It is a truism of the budgeting process that the allocation of dollars is the best and perhaps the only meaningful indicator of institutional or personal priorities. Therefore, the fact that President Clinton's 1995 employment and training budget proposal advocates an increase over fiscal 1993 of 11.3 percent for services to disadvantaged adults and a decrease for disadvantaged youth (excepting Job Corps) but a 125 percent increase for displaced worker services provides a persuasive measure. Those budget recommendations combined with current rhetoric confirms that, on the Clinton administration's current wish list, the displaced worker initiative towers over the thirty year effort to bring the economically disadvantaged into the mainstream of the labor market.

It is useful to explore this shift in priorities and sift past experience for portents of likely success. This paper examines the definition and incidence of displacement, reviews past and current displaced worker programs, analyzes the administration's proposals and, while generally applauding the effort, raises pertinent policy issues.

Characteristics and Definition of Displacement

Defining Displacement

Wide scale labor displacement due to plant closure and mass layoff has been a major labor market phenomenon of the 1980s and 1990s. Resulting from industrial restructuring rooted in globalization of production and the dismantling of a significant portion of the cold war military-technology complex, displacement will be a critical concern of public policy throughout the 1990s and beyond.

Analysis of displacement has relied heavily on Bureau of Labor Statistics (BLS) data gathered through a special supplement to the Current Population Survey (CPS). Mandated by Congress, the BLS has repeated this supplement biannually since 1984. The survey defines persons twenty years of age or older as displaced if they lost a job due to slack work, job abolition, or plant closing after at least three years of tenure with the same employer.[1]

This definition, while widely used, has been a source of debate. The definition has been criticized as overly broad and potentially subjective in that survey respondents might define themselves as displaced to

[1]Paul O. Flaim and Ellen Sehgal, "Displaced workers of 1979-83: how well have they fared?," *Monthly Labor Review*, June 1985, p. 5.

rationalize job loss incurred for other reasons.[2] The Congressional Budget Office (CBO), rejects the three year job tenure requirement, arguing that it underestimates the displacement problem, perhaps by as much as fifty percent.[3] A plant closure affects all employees regardless of tenure and that the definition should not exclude any segment of those impacted. Accordingly, the CBO definition is all workers 18 years of age and older who lose full-time employment for reasons listed by the BLS regardless of job tenure, a far higher number.

Characteristics of the Displaced

The CBO estimated an average of two million newly displaced Americans annually during the 1980s, accounting for between 17 and 24 percent of the unemployed over the decade. The total number of persons dislocated has been negatively related to the strength of the economy. Relatively high percentages were reported during the early 1980s. The percentage declined throughout the decade, but rose again in the 1990s to levels similar to the early 1980s.

Despite swings in the business cycle, changes in industrial composition, and policy shifts, demographic characteristics of displaced workers remained fairly consistent throughout the 1980s (Table 1). Displacement among younger prime age workers and workers with relatively little job tenure was more pronounced than

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[2]Daniel S. Hamermesh, "What Do We Know About Worker Displacement in the U.S.?," *Industrial Relations*, Winter 1989.

[3]Congressional Budget Office, *Displaced Workers: Trends in the 1980s and Implications for the Future* (Washington, D.C., Government Printing Office, February 1993), pp. 5-9.

many believe. The average years of schooling among the displaced rose over the decade consequent to rising displacement in white collar occupations and in service industries.

The dislocation risk experienced by blue-collar versus white-collar workers varied during the 1980s. Blue-collar workers were more likely to be displaced than white-collar workers, with an average of 1.1 million blue-collar workers losing jobs annually during the decade.

Table 1. Characteristics of the Displaced

Category	Percent	Category	Percent
Age:		Sex:	
18-34	55	Male	62
35-44	25	Female	38
45-54	10		
55+	10	Job tenure at time of displacement:	
Race:		less than 3 years	50
White	81	3-4 years	20
Black	10	5-9 years	15
Education:		10+	15
less than 12	20		
12 years	40		
12-15	25		
16+	15		

Sources:

a. Manufacturing Alliance for Productivity and Innovation, "Finding Another Job in a Time of Industrial Restructuring," *MAPI Policy Review*, February 1993, p.8.

b. Congressional Budget Office, *Displaced Workers: Trends in the 1980s and Implications for the Future* (Washington, D.C., Government Printing Office, February 1993), p. 8-12.

During the early 1990s, executives, managers and technicians experienced the greatest percentage increase in displacement, but the increase came on top of a very low base. Blue-collar workers still experienced the highest

displacement proportions.[4] Displacement risk also varied by industry of employment, with workers in goods-producing industries being more likely to face permanent job loss than those in services-producing industries, though the goods producing sector's share of total displacement declined during the 1980s.

Displacement Experience

Worker experience following displacement varies widely by age, race, occupation, and industry. For example, older workers with high job tenure constitute a relatively small portion of the displaced and are significantly less likely to be displaced than are younger workers. However, when displaced, their difficulty finding reemployment is severe. While whites comprised 81 percent of the displaced in the 1980s, their likelihood of reemployment following displacement was substantially higher than for blacks, particularly in recessionary periods. Average spells of joblessness for blacks were nearly twice as long as for whites.[5]

Analyzing total displacement (imposing no tenure screen), the CBO estimated that 73 percent of workers found new employment within three years of displacement during the 1980s. Average jobless duration among the reemployed was just under 20 weeks (Table 2). Economic cycles greatly impacted joblessness duration. Joblessness duration among workers displaced during the five year prior to January 1992 but reemployed by January 1992 was only 8.3 weeks. The difference, 20 weeks compared

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[4]Jennifer M. Gardner, "Recession swells count of displaced workers," *Monthly Labor Review*, June 1993, p. 17.

[5]Lori G. Kletzer, "Job displacement: black and white workers compared," *Monthly Labor Review*, July 1991, p. 17.

to 8 weeks, is attributable to the depth of the recession of the early 1980s and the relative mildness of the 1990 downturn.

In the CBO's analysis of displacement in the 1980s, 54 percent of reemployed displaced workers reported reemployment earnings greater than or equal to 95% of their pre-displacement earnings. In contrast, nearly one third of the reemployed received less than 80 percent of the pre-displacement wage in their post-displacement employment. Those reporting the greatest income loss tended to be the least educated, the oldest, and those with the longest pre-displacement employment tenure.

Table 2. Earnings Losses and Joblessness among Reemployed Displaced Workers

	Percent	Average weeks of joblessness
Ratio of reemployment earnings to pre-displacement earnings:		
less than 80 percent	32	26
80-94 percent	13	18
95-104 percent	15	16
105-120 percent	14	13
120 percent or more	25	14
Total	100	19

Source: Congressional Budget Office, *Displaced Workers: Trends in the 1980s and Implications for the Future* (Washington, D.C., Government Printing Office, February 1993), p. 12.

While there is little difference in the demographic characteristics of the displaced worker population (other than in age and tenure distributions), the typical displacement experience does differ under the two major definitions of displacement. Joblessness duration is generally higher, reemployment percentages lower, and

average income loss more extensive under the BLS definition of displacement.

Comparison of pre-displacement and reemployment earnings masks the full income loss associated with displacement. Analysis of Pennsylvania state administrative data indicated that earnings of workers eventually experiencing displacement began to deviate from expected levels two to three years before actual displacement. Further, earnings losses typically persisted for multiple years following reemployment.[6] Measuring from three years prior to six years following displacement, the average present discounted value of earnings losses in this population was about $50,000. Assuming that the average present discounted value of the earnings loss observed in the fifth year following displacement (approximately $6000) would continue until retirement, the authors suggested an upper bound on average present discounted earnings losses associated with displacement of approximately $80,000.

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[6]Louis Jacobson, Robert LaLonde, and Daniel Sullivan, *The Costs of Worker Dislocation* (Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, 1993), pp. 137, 144-145.

Major Displaced Worker Programs

A number of programs have attempted to address the needs of workers displaced by slack work, mass layoff or plant closure. Assistance typically takes the form of interim income support, readjustment services, and retraining. The services are intended to enhance the skills of the displaced and speed their reabsorption into employment.

Some programs providing assistance to displaced workers address the needs of unemployed workers in general. The unemployment insurance (UI) system is one such program. Other programs are specifically aimed at displaced workers. Specialized assistance to displaced workers was first introduced in the Trade Adjustment Act of 1962. Its immediate purpose was to placate and reduce the opposition of organized labor to trade liberalization. This was done by offering extended UI and access to retraining. Assistance was justified on equity grounds: that workers successful in maintaining stable employment should not have to bear the costs of events beyond their control, particularly when the events result from major changes in government policy. Similar justification was later applied to workers impacted by legislation limiting the logging of redwoods.[7]

The concern shifted during the deep 1981-82 recession to supplementing family income. Motivation in the 1990s returned to placating opponents of reduced

[7]United States General Accounting Office, *Dislocated Workers: A Look Back at the Redwood Employment Training Programs*, GAO/HRD-94-16BR, December 1993.

defense commitments, cleaning up the air and continuing trade liberalization. Avoidance of the undesirable consequences of leaving temporarily unemployed some of the labor market's most productive workers has also justified intervention.

The programs reviewed here are unemployment insurance (UI), the Trade Adjustment Act (TAA), the Redwoods Employee Protection Program (REPP), the Job Training Partnership Act Title III augmented by the Economic Dislocation and Worker Adjustment Act (EDWAA), and finally, the Worker Adjustment and Retraining Notification Act (WARN). In addition to these major programs operated largely through the Department of Labor, we also briefly review a number of recent Department of Defense initiatives unattached to the DOL programs.

Unemployment Insurance (UI)

The unemployment insurance program established by the 1935 Social Security Act had two primary objectives. First, it sought to counter the impacts of the business cycle by maintaining the income of committed workers during short term unemployment, by keeping workers from shifting to less skilled work, by maintaining the workforces of cyclically sensitive industries, and by bolstering community purchasing power in recessionary times. Second, UI sought to facilitate individualized search for employment commensurate with skill level.

Workers' employment histories influence both the weekly benefit amount and duration of benefits available for covered workers. Benefits typically last 26 weeks and extended benefit programs provide additional weeks of coverage in times of high state unemployment rates.

The ability of the UI program to address its two objectives has weakened in recent years. With a smaller proportion of full-time, full-year workers and with a greater incidence of permanent replacement due to technological change, global competition, and corporate

downsizing, fewer workers today are recalled by their former employers. Where an average of 44 percent of unemployed workers returned to their previous employment following recession during the 1970s, only 15 percent were recalled following the most recent recessionary period.[8]

UI also has been weakened by tighter eligibility rules, tightened experience ratings, and higher rates and longer spells of unemployment than characteristic of the 1970s. In addition, recipiency rates have lowered due to more strict enforcement of job search rules, expanded use of temporary workers, and the volume of new entrants to the labor force ineligible for UI. Recipiency rates have declined from 52 percent of the unemployed in the 1970s to 35 percent in 1992. The percent of total lost wages replaced by UI benefits decreased by 18 percent between 1980 and 1990.

The UI system cannot single-handedly address today's employment displacement. Early identification of those unlikely to be recalled to their former employment is paramount. Those possessing marketable skills need access to job search training, networking, and employment counseling. Those unlikely to become reemployed without remedial efforts need access to retraining, relocation, and potentially other services such as basic education.

Trade Adjustment Assistance (TAA)

TAA was enacted as part of the Trade Act of 1974 but had a longer genesis. Earliest discussions date back to 1962. Assistance to trade impacted workers resulted from a compromise between the Kennedy

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[8]United States General Accounting Office, *Unemployment Insurance: Program's Ability to Meet Objectives Jeopardized*, GAO/HRD-93-107, September 1993, pp. 13-14, 43.

administration's support of free trade and organized labor's concern for potential associated disemployment. The AFL-CIO agreed to support free trade initiatives on condition that workers displaced by the legislative change be assisted through extended UI and access to retraining services. Though eligibility was originally stymied in Congress, by the mid-1960s restrictions were relaxed and income maintenance payments flowed to workers certified by the Department of Labor as "import impacted." Little was done in terms of training. Passage of TAA formalized the effort.

In 1981 Congress restricted TAA eligibility to the long term unemployed and permanently displaced. Trade readjustment allowance (TRA) payments were reduced to the level of the individual's regular UI payment predicated on UI exhaustion with TAA extending benefits up to an additional 52 weeks. The program increased its focus on adjustment services such as job counseling, occupational and remedial training, job search assistance, and relocation allowances.

TAA was again amended in 1988. States were required to establish rapid response teams to react to mass layoffs and plant closures by facilitating client access to services and income support payments early in their joblessness. In addition, the 1988 amendments mandated that all certified TRA recipients participate in approved training, unless explicitly exempted by waiver. As a result of the amendments, training participation increased from 37 to 47 percent of program recipients.[9] The training requirement also discouraged TRA receipt among some individuals as average weeks of TRA receipt fell and average training duration rose.

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[9]Walter Corson, *Statement on Existing Programs to Help Displaced Workers before Subcommittee on Labor-Management Relations, Committee on Education and Labor, U.S. Congress, House of Representatives*, April 20, 1993, p. 6.

Reflecting heavy concentration in manufacturing employment, average pre-layoff wages of TAA recipients have typically been higher than those of displaced workers in general.[10] Since average reemployment wages among TAA and non-TAA UI exhaustees are similar, reemployed TAA recipients therefore average greater loss of wage and non-wage benefits. They also experience longer joblessness on average than do non-TAA UI exhaustees.[11] These findings are consistent with a view that TAA recipients often possess firm specific skills which are not fully utilized in post-displacement reemployment. Controlling for observables, few differences were found in employment and earnings between TAA recipients who participated in TAA training and those that did not, suggesting no "strong evidence that TAA training had a substantial positive effect."[12] This has prompted a number of analysts to suggest voluntary rather than mandatory participation in TAA training, and endorsement of a mandatory requirement for job search assistance services instead. However, it should also be noted that the average duration of TAA retraining was hardly enough to replace work experience acquired over several years.

TAA funding for FY1993 was $211 million, $131 million for income support and $80 million for training

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[10]*Mathematica Policy Research Inc, Evaluation of the Trade Adjustment Assistance Program: Process Report*, July 1992.

[11] *Mathematica Policy Research Inc., International Trade and Worker Dislocation: Evaluation of the Trade Adjustment Assistance Program*, April 1993.

[12]Walter Corson, p.6.

services to approximately 40,000 workers.[13] Given that 47 percent of TRA recipients participated in TAA training, approximately $4300 was invested in training per participant. Income support averaged roughly $3250 per TRA recipient per year. Given average displacement costs for TRA recipients of approximately $46000, TAA assistance falls significantly short of fully compensating trade impacted workers.[14]

TAA evaluations have identified a number of additional programmatic issues. Most frequently mentioned are: problems of certification -- slowness and inequitable access to benefits across workers; and a restricted range of provided services including insufficient counseling and client support.[15] Issues involving certification are discussed below.

Certification. The U.S. Department of Labor initiates TAA certification procedures when it receives petitions from three or more employees of an organization. The petition prompts determination of whether jobs were lost, or are about to be lost, due to import competition. The DOL investigates three fundamental questions: (a) whether a significant number of workers lost or are threatened with loss of their jobs; (b) whether company sales or production has decreased; and (c) whether imported articles have significantly contributed to the organization's decline in sales or

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[13]United States General Accounting Office, *Dislocated Workers: Trade Adjustment Assistance Program Flawed*, GAO/T-HRD-94-4, October 19, 1993.

[14]Walter Corson, p.4.

[15]United States General Accounting Office, *Dislocated Workers: Proposed Re-employment Assistance Program*, GAO/HRD-94-61, November 1993, p. 3.

production. To investigate, the DOL either visits the establishment or uses questionnaires.

Securing data on the cause of a layoff is complicated. DOL must identify products that are "like or directly competitive" with the company's products and analyze trade statistics for those products in order to establish a comparative benchmark. To determine if import increases have contributed significantly to the decline in production demand, the DOL samples customers of the company to verify whether or not they have shifted to increased purchases from foreign sources.

In examining DOL procedures, the GAO found company information to be so significantly "incomplete, inaccurate, or unsubstantiated" in 41 percent of the investigations sampled as to prevent determination of whether or not the three certifying conditions had in fact been met.[16] Further, for 26 percent of the petitions trade statistics were inadequate or unavailable. Serious flaws existed in 82 percent of the cases where customer surveys should have been utilized in certification.

An additional certification problem is the narrow rulings that have been made in many petition cases. Nearly 40 percent of the petitions examined by the GAO were from workers engaged in the production of component parts or employed in service activities. These petitions were "generally denied" by DOL and the courts. TAA language referring to the "import of articles" and "articles produced" has been interpreted to not include service industries and to exclude component parts for not being "like or directly competitive with" a finished product, even though the parts may be imported as well.

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[16]United States General Accounting Office, *Dislocated Workers: Improvements Needed in Trade Adjustment Assistance Certification Process*, GAO/HRD-93-36, October 1992, pp. 5,9.

The DOL faces a difficult set of tradeoffs regarding TAA certification. Early intervention is beneficial to impacted workers but it requires eligibility processing. Rapid eligibility determination is subject to greater error rates than more thorough, more time intensive procedures. Similarly, DOL does not have readily available access to much of the information needed in the determination process. Finally, while simplifying TAA certification by simplifying requirements of customer surveys to improve timeliness. Such changes would broaden eligibility and increase total program costs. Passage of the reemployment bill would fold all displaced worker programs into one and negate the need for TAA modification.

Redwood Employee Protection Program (REPP)

Coincident with expansion of the acreage of Redwood National Park in 1978, Congress established REPP to assist displaced timber workers. Eligible workers were entitled to full wage replacement in the form of either weekly or lump sum payments over a time period tied to the length of their tenure in the timber industry and their earnings. Workers were also eligible for severance pay, retraining, job search assistance, and relocation allowances.[17]

While a priori estimates placed the number likely to be displaced at no more than 1,000 workers, approximately 6,000 applied for benefits. From 1978 to 1984, $104 million was spent assisting 3,500 eligible individuals -- roughly $30000 per worker. Weekly benefit amounts ranged from $225 to $400. Severance payments

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[17]United States General Accounting Office, *Dislocated Workers: A Look Back at the Redwood Employment Training Programs,* GAO/HRD-94-16BR, December 1993, pp.3, 10-17.

to those with five or more years of industry experience ranged from $32000 to $45000, while severance to those with less than 5 years experience ranged from $2500 to $4500.

Only 13 percent (432) of the 3,500 program recipients participated in training, in part because DOL retraining regulations lagged program implementation by 14 months. Additionally, receipt of benefits was not tied to retraining or job search assistance and the magnitude of the income support payments created clear work and retraining disincentives. Some 95 percent of training participants completed training and 25 percent relocated. Only four percent of the 3,500 program recipients took advantage of relocation benefits, while 3 percent of the recipients received job search allowances.[18]

The GAO drew the following lessons from REPP experience:

- require exhaustion of UI benefits before granting access to program specific income support funds;
- income support benefits should not exceed amounts available under UI;
- receipt of income support should require participation in training or job search assistance;
- eligibility rules should channel program benefits to workers most directly and most severely affected by the policy change; and
- retraining and income support without job creation opportunities are incomplete.

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[18]*Dislocated Workers: A Look Back at the Redwood Employment Training Programs*, p. 13.

Job Training Partnership Act (JTPA)

Legislated in the midst of the high displacement consequent to the 1981-82 recession, Title III was added to the JTPA bill to provide job training assistance to workers displaced by the deep 1981 recession and continued thereafter. JTPA defines displaced workers as individuals who:

- have been terminated or laid off or who have received a notice of termination or lay-off from employment, are eligible for or have exhausted their unemployment compensation entitlement, and are unlikely to return to their previous industry or occupation;
- have been terminated, or who have received a notice of termination of employment, as a result of permanent closure; or,
- are long term unemployed and have limited opportunities for employment or reemployment in the same or a similar occupation in the area in which such individuals reside, including any older individuals who may have substantial barriers to employment by reason of age.

Services provided through Title III include rapid response to plant closures and mass layoffs, information and referral to existing programs, facilitation of labor-management committee formation, and linking with state economic development assistance. Basic readjustment services include assessment and intake, outreach, career counseling, testing, retraining, and minor needs-related payments. The majority of funds are used for classroom, on-the-job, and job search training.

Economic Dislocation and Worker Adjustment Act (EDWAA). Title III was initially dependent upon the ability and willingness of the states to match the federal grants. The act was criticized for slow response time to

plant closures, failure to expend budgetary allocations while serving only a small percentage of the eligible population, limited provision of occupational retraining, and insufficient coordination between management, labor and government. Congress responded in 1988 with passage of the Economic Dislocation and Worker Adjustment Act (EDWAA).

Like the original Title III, EDWAA is designed to serve displaced workers regardless of the reason for job loss but it is fully federally funded. Eighty percent of its funds are allocated to the states by formula based on population size, unemployment rate, and the incidence of long term unemployment with the remaining 20 percent held in a reserve from which the Secretary of Labor assists regions particularly hard hit by displacements and for national demonstration projects. On average, approximately 52 percent of the 80 percent state allocation has been spent on retraining, 7 percent on need-related payments and support services, 13 percent on administration, 5 percent on rapid response, and 23 percent on basic readjustment services.[19]

EDWAA mandated formation of state dislocated worker units to provide rapid intervention to closure and mass layoff situations and to promote plant level labor-management committees at dislocation job sites.[20]

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[19]Carolyn M. Golding, *Statement of the Acting Assistant Secretary, Employment and Training Administration, U.S. Department of Labor, before Subcommittee on Labor-Management Relations, Committee on Education and Labor, U.S. Congress, House of Representatives,* April 20, 1993, pp. 6-7.

[20]Ann Lordesman, *Training for Dislocated Workers Under the Job Training Partnership Act*, CRS Report for Congress, Congressional Research Service, The Library of Congress, December 1992, p. 3.

While approximately 200,000 to 250,000 displaced workers are served annually, this is only 10 percent of the EDWAA eligible displaced worker population. Like Title II programs, the tendency has been to shorten training durations to maximize the number of enrollees within available budgets.

Displaced worker advocates complain that JTPA service delivery areas (SDA) give less attention to the difficulties of the displaced because its administrators and staff are more familiar with the problems of the economically disadvantaged.[21] These perceptions have been strengthened by the experience of the 45 percent of substate areas that integrated Title II adult programs and displaced worker services in 1990. Analysis suggests that the integration resulted in clients more similar to average Title II participants than average Title III enrollees and less rapid intervention services than in areas providing separate services.[22]

Additional issues identified concerning EDWAA include: continued slow response to plant closings, insufficient provision of personal adjustment services such as psychological counseling (in 1/2 of the states); limited formal assessment and career counseling (in 2/3 of the states); limited occupational classroom training options in terms of program length and occupational and skill level mix (2/3 of the states); and insufficient matching of on-the-job training opportunities to individual worker

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[21]Michael Oden and Ann Markusen, "*Changing the Future: Converting the St. Louis Economy,*" referenced in the BNA Employment and Training Reporter, January 26, 1994, p. 388.

[22]U.S. Department of Labor, Employment and Training Administration, "*Study of the Implementation of EDWAA: Report on the Survey of Substate Areas,*" U.S. Government Printing Office, 1994.

needs (40 percent of the states).[23]

Group Specific Title III Programs. Since 1990, Congress has instituted a number of special programs under the rubric of JTPA Title III These target displacement assistance to groups impacted by specific changes in federal policy. As with TAA and REPP, the programs emerged in negotiations aimed at securing passage of legislation. In 1990, the Clean Air Act amendments provided for Clean Air Employment Transition Assistance (CAETA) to workers displaced by compliance with the Clean Air Act. In 1991, the National Defense Authorization Act included funding for Defense Conversion Assistance (DCA) to aid workers affected by defense spending reductions. In 1993, Congress expanded the defense diversification initiative to serve workers from the time of announcement that a facility would close rather than from the time of the closing itself. Also in 1993, passage of the North America Free Trade Act (NAFTA) added the NAFTA-Transitional Adjustment Assistance program. DOL labelled it a "bridge program" to be implemented only until a more comprehensive displaced worker program becomes law. NAFTA-TAA was originally priced at $90 million, with a $30 million annual training cap. It is intended to cover NAFTA-related dislocation over a 18 month period beginning January 1, 1994. The administration's most recent budget includes $57 million for NAFTA-TAA (Table 3). Consequently, while the Joint Economic Committee of Congress estimates 50,000 NAFTA-related displacements annually over the next decade, and given that TAA training averages $3500 per worker, NAFTA-TAA will likely serve far fewer than the number affected.

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[23]Social Policy Research Associates, "*Study of the Implementation of the Economic Dislocation and Worker Adjustment Assistance Act: Testimony of Katherine Dickinson for the Subcommittee on Labor-Management Relations,*" April 1993.

Funds from these programs are typically accessed by grant application filed directly with DOL by a state government, by an employer association, or by an employee representative such as an union. NAFTA-TAA is patterned after TAA. For certification to be granted, a NAFTA-related decrease in sales or production must be shown as well as an increase in imports of similar Canadian or Mexican products by the American producers domestic customers. This change must then be shown to directly impact production staffing within the organization. The assistance provided under these programs is that typical of EDWAA: rapid response services, basic readjustment, retraining, and needs-related payments provided by Title III-EDWAA.

Given the similarities of these programs to one another and to EDWAA, the chief justification for separate programs with separate funding is (a) to reduce political opposition to the legislative proposal or policy change, and (b) to leverage services from a system with inadequate funds to serve its clientele.

Worker Adjustment and Retraining Notification Act (WARN)

In response to findings that only small proportions of workers received advanced notice of closures and major layoffs, in 1988 congress enacted the Worker Adjustment and Retraining Notification Act (WARN). This act, designed to enhance reemployment opportunities, requires employers with 100 or more full-time employees to notify those employees, the chief local elected official, and the state's dislocated worker unit of any intent to implement a closure or significant layoff and to do so at least 60 days prior to taking the action.

Closures are subject to 60 day notice if affecting 50 or more full-time workers. Layoffs are subject to notification when affecting 50 or more workers, and where those affected represent one-third or more of the

work force, or where the action involves 500 or more workers, irrespective of their percentage of the workforce. WARN does not apply when closure or layoff is due to the completion of a contract, is a result of a labor dispute, is due to "unforeseen business circumstances or natural disasters," or when the employer is "seeking new customers or trying to raise capital."[24]

The equivocating nature of these exceptions is a primary weakness of WARN. While there is evidence that workers are more likely to receive advanced notification of closure/layoff after enactment of WARN than before, the GAO reported that 50 percent of employers of 100 or more that had a closure or major layoff in 1990 were not required to provide notice. In addition, GAO found that roughly 50 percent of the employers whose closure/layoff appeared to meet all WARN criteria did not provide state dislocated worker units advanced notification and that 30 percent of employers provided less than 60 days notification without citing valid exceptions.

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[24]United States General Accounting Office, *Dislocated Workers: Worker Adjustment and Retraining Notification Act Not Meeting Its Goals*, GAO/HRD-93-18, February 1993, pp. 2-3.

Table 3. Selected Characteristics of Programs Added to JTPA, 1990-93

Program	Funding allocation	Eligible population
CAETA	$49.6 million in appropriated funds expended in FY93. No obligation FY94 or beyond.	Title III eligibility and lay-off notification or termination as result of Clean Air Act compliance.
DCA	$56.8 million in FY94 from DOD funds appropriated in 1991 and available for obligation through FY97	Title III eligibility and lay-off notification or termination due to base closure/defense reduction
Defense diversification	$75 million in FY94 from funds appropriated in 1993 and available for obligation through FY97	Involuntarily separated active duty military or full time National Guard, DOD or DOE civilians, and Defense contractor employees terminated or laid off 1992-1997 if not entitled to retired or retainer pay.
NAFTA-TAA	$56.9 million for an 18 month period (1-94 to 6-95)	USDOL certification that worker group directly or indirectly impacted by Canadian or Mexican imports as per standard TAA procedures; TRA benefits conditioned on entry into retraining program by 16th UI benefit week.

Sources: National Governors' Association Legisline, "Congress Passes NAFTA Transitional Adjustment Assistance Program," November 22, 1993; General Accounting Office, Dislocated Workers: Proposed Reemployment Assistance Program, GAO/HRD-94-61, November 1993; and Ann Lordesman, "Training for Dislocated Workers Under the Job Training Partnership Act," CRS Report for Congress, Congressional Research Service, The Library of Congress, December 1992; Department of Labor FY 1995 Budget: Fact Sheets on Major Initiatives and Supplemental Materials, February 7, 1994.

Rectifying such problems is a second weakness of

WARN. WARN does not make the Department of Labor or any other agency responsible for enforcement or implementation of its regulations. It is not surprising therefore that few court cases have been filed under WARN and that approximately one third of sampled employers appear unclear or unaware of the specifics of WARN regulations.

Implementing the intent of WARN would require modification of it's exclusionary clauses and authorization that the Department of Labor administer and enforce the provisions of the law. Reliance on individual workers for enforcement, as currently provided, is a prescription for failure. Exclusionary clauses are sensible when the marginal costs of compliance are greater than the perceived benefits to compliance. Given that 61 percent of employers filing WARN notices report filing costs of $500 or less, it is doubtful that exclusion of situations involving less than one third of the work force is justifiable on the basis of imposing unreasonable costs on the employer.[25]

Defense Related Displaced Worker Initiatives

A number of Department of Defense programs contain displaced worker initiatives, reflecting the reality of significant cuts in this sector over time. While approximately 6 million Americans were employed in defense in 1991 (active duty military -- 2 million, civilian Department of Defense employees -- 1 million, and the private defense industry -- 2.9 million), defense employment could decrease by 40 percent or 2.5 million workers by 2001.[26]

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[25]*Dislocated Workers: Worker Adjustment and Retraining Notification Act Not Meeting Its Goals*, p. 6.

[26]Office of Technology Assessment, *After the Cold War: Living with Lower Defense Spending*, February 1992, pp. 16-17.

Congress appropriated $1.8 billion in FY 1994 to these programs under the Defense Authorization and Defense Appropriations Acts.[27] The programs are aimed at "defense reinvestment and transition," providing assistance to defense dependent workers, communities, and industries. The initiatives also include direct grants through the Department of Defense's Office of Economic Adjustment to communities affected by military downsizing, environmental restoration funding, assistance for urban youth efforts through Junior ROTC program funds, and a wide variety of dual-use technology initiatives. In fact, dual use technology initiatives represent nearly 60 percent of the $1.8 billion appropriated for FY 1994. Of the other 40 percent, $538 million is for early retirement and separation incentives, while relatively minor amounts are directed to the training and redeployment of displaced workers.

Job training. For FY 1993 Congress allocated $65 million to train and assist separating defense workers to pursue teaching careers. However, only $6 million was spent for a pilot project focusing on public service employment opportunities in teaching, health care, and law enforcement. For FY 1994 Congress has directed $20 million in unobligated FY 93 appropriations to the program as well as $15 million in FY 1994 money. Consequently, actual DOD spending on this program may be anywhere from $15 to $35 million.[28]

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[27]Defense Budget Project, "*Final FY 1994 Defense Authorization and Appropriations: Defense Reinvestment and Transition Programs,*" December 6, 1993, Table 1.

[28]*Final FY 1994 Defense Authorization and Appropriations: Defense Reinvestment and Transition Programs,*" pp. 2-4.

Congress also appropriated funds in FY 1993 for three programs providing scholarships to environmental studies programs and to higher education institutions for environmental training aimed at defense related cleanup but implementation has been slow. For FY 1994 Congress has authorized $20 million in unspent FY 1993 funding for each program, an additional $5 million for environmental training, and $8 million of FY 93 funds to train DOD civilians in environmental clean up at military installations.

Employer reimbursements. The job training component partially reimburses employers providing training to newly hired former military personnel. Approximately $75 million was transferred from DOD to the Department of Veteran Affairs in FY93 to set up the program, with the understanding that future dollars would have to come from elsewhere. Though zeroed out in the Administration's FY94 budget request, the FY 1994 Defense Authorization Act directed transferral of $25 million from DOD to Veterans Affairs, while the Appropriations Bill directed a transfer of $10 million.

Income support. Temporary benefits for involuntarily separated reservists with 6 to 15 years seniority was supported by Congress in FY 1993 through September 1995. Similarly reduced retirement pay beginning at age 60 for those with 15 to 20 years of service was funded. In addition, separated reservists were guaranteed access to Reserve Force GI educational assistance for up to 10 years after involuntary separation. Congress authorized $40 million in FY 1993, the President requested $50 million in FY 1994, and Congress appropriated $40 million even though the Act authorized no new funds.

Likewise, Congress authorized $76 million for temporary health care coverage for separating military personnel and included DOD civilian employees as program recipients in FY 1993. The Administration advocated limiting the program to separating military personnel with expenditure limits of $11 million in FY93

and $12 million in FY94. The 1994 Authorization Act contained no new funds for this purpose, but Congress appropriated the full $12 million in the Appropriations Act. An additional $67 million in transition support in the form of counseling, employment search assistance, and family relocation funding was also approved in both Defense Acts.

The Clinton Vision: Workforce Investment and Worker Security

In his January 1994 State of the Union address, President Clinton vowed to "transform America's outdated unemployment system into a reemployment system" and to "streamline today's patchwork of training programs and make them a source of new skills." In an earlier address he had said, "And for those who lose their jobs, the unemployment system is no longer good enough. We must create a continuous reemployment system so that people are always learning -- even into their 50s and 60s and 70s, as long as they are willing to be productive citizens and keep going and growing."[29]

The Administration has set forth its vision as workforce investment and workforce security. The vision consists of multiple components:

- o comprehensive worker adjustment services for permanently laid off workers;
- o one-stop career centers providing workers, employers, and jobseekers access to quality labor market information services;
- o a school to work program, the School to Work Opportunities program, that seeks to combine classroom based education and work experience to produce young workers with good work habits and marketable skills who gain good first jobs;
- o a system of national skills standards and skill certification facilitating efficiency in

[29]U.S. Department of Labor, *The Urgent Need for a National Workforce Strategy: The Clinton Administration's Proposal for Worker Security*, November 1993.

skill training investments;

- o expansion of the Job Corps to a capacity of 62,500 training slots, 100,000 enrollees, and 62 centers -- a 50 percent increase from current levels; and,
- o the Youth Fair Chance (YFC) initiative to provide intensive services to youth in targeted high poverty areas.

Combined with the administration's initiatives in health care, education and welfare reform, as well as anti-crime policy, the administration is advancing a social agenda unparalleled in recent history (Table 4). Of that, only the Reemployment Act of 1994 is directly addressed to displaced worker needs.

Displaced Worker Policy: The Reemployment Act of 1994

The administration's proposal for aiding displaced workers is set forth in its proposed Reemployment Act of 1994. A set of core principles underlay the proposal's formulation, including universal access; early identification of workers likely to be permanently displaced; consolidated career counseling, training, and reemployment services available in one-stop; access to long term training when needed; income support enabling completion of training; and flexibility in unemployment compensation disbursements.

Table 4. Budgets for Workforce Investment Programs
Fiscal/Problem Years 1994 & 1995
($000,000s)

Program	PY/FY 1994 Enacted	PY/FY 1995 Pres Budget	1994 vs. 1995
JTPA state grants	3417.8	3621.3	203.5
Title II-A adult program	988.0	1130.0	142.0
Title II-B summer youth*	876.7	867.1	9.6-
Title II-C youth program	658.7	598.7	60.0-
Title III disl workers**	894.4	1025.5	131.1
JTPA federal programs	1569.0	2015.9	446.9
Title III discretionary**	223.6	439.5	215.9
Native Americans	64.2	61.9	2.3-
Migrant farmworkers	85.6	78.3	7.3-
Job Corps	1040.5	1156.8	116.3
School-to-work	50.0	150.0	100.0
Youth Fair Chance	25.0	25.0	0.0
Other Federal	80.1	104.4	24.3
Jobs Older Americans	410.5	396.1	14.4-
State programs	90.3	87.1	3.2-
National & other	320.2	308.9	11.3-
Unemployment comp.	2485.3	2459.7	25.6-
State operations	1715.9	1756.6	40.7
State integrity activities	356.9	367.2	10.3
Contingency	387.0	310.3	76.7-
National & other	25.4	16.6	8.8-
Employment service	968.3	1168.3	200.0
State allotments	832.8	847.2	14.4
National activities	85.5	71.1	14.4-
One-stop shops	50.0	250.0	200.0
Trade adjustment aid	190.0	304.8***	114.8
Trade adjustment asst.	190.0	247.9	57.9
NAFTA training & benefits	0.0	56.9	56.9
Vocational education	1176.3	1124.8	51.5-
Basic state grants	972.8	872.8	100.0-
Tech prep	104.1	114.1	10.0
Other	99.4	37.9	61.5-
Adult education	304.9	322.5	17.6
State programs	254.6	267.0	12.4
Literacy programs	41.5	46.5	5.0
National programs	8.8	9.0	0.2
Education reform	155.0	900.0	745.0
Goals 2000 systemic reform	105.0	700.0	595.0
School-to-work	50.0	150.0	100.0
Educational tech. (new)	0.0	50.0	50.0
JOBS program	1100.0	1300.0	200.0
Total	1582.7	13780.4	11802.1

* II-B summer youth jobs funding for calendar year specified.

** 80% allotted to states for 1994, 70% for 1995 as proposed by USDOL. Budget asks funds for Title III pending legislation.

*** Includes $56.9 for NAFTA bridge program for FY 1994-95 and a $16.9 supplemental for TAA during FY 1994.

Source: National Governors' Current Developments, Feb. 15, 1994.

The administration proposal included four titles.[30] Title I sets forth a comprehensive program for worker reemployment. One-stop career centers are the subject of Title II. Title III describes a proposed national labor market information system, Title IV advances the idea of "reinvention labs" for job training of the economically disadvantaged (not discussed here).

Comprehensive Worker Adjustment Services (Title I). The Act would seek to provide comprehensive services to displaced workers irrespective of the cause of dislocation and without the lengthy eligibility procedures that have plagued TAA experience. The proposal would combine EDWAA and its associated Title III programs (CAETA,DCA, Defense Diversification, and NAFTA-TAA) and TAA through a phased process to be completed by program year 2000.

Eligibility for comprehensive services under Title I would be given to individuals:

- o permanently laid off from full, or part-time, or seasonal employment within the preceding 12 months, and: unlikely to obtain employment in the same or a similar occupation due to obsolete skills or a lack of employment opportunity, or laid off as a result of a permanent closure or substantial layoff at a plant, facility or enterprise;
- o receiving notice of pending permanent layoff, and: unlikely to obtain employment in the same or a similar occupation due to obsolete skills or a lack of employment opportunity, or where layoff will result from a permanent closure or substantial

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[30]103rd Congress, 2nd Session, *H.R.4050*, introduced March 16, 1994 and referred to the Committee on Education and Labor.

layoff at a plant, facility or enterprise;

- o who are long term unemployed and face limited opportunities in their same or similar occupations;
- o employed at a facility where the employer has publicly announced closure within the next year, and: where the individual is unlikely to remain with the employer at another location, or is unlikely to retire permanently on or before the closure;
- o who are self-employed but unemployed due to poor economic conditions or natural disaster;
- o who are profiled in accordance with approved guidelines; or
- o who are displaced homemakers.

The bill requests a Title I allotment of $1.465 billion for FY1995. Seventy five percent of the funds would flow to state and local levels, with 25 percent remaining in a national reserve to be allocated in discretionary grants and to national programs. Allocation would initially be based on three factors and expanded to include a fourth as data availability improved. The three equally weighted factors are: the relative number of unemployed, the relative amount of unemployment above 4.5 percent, and the relative number unemployed 26 weeks or more. The fourth element, relative number of displaced workers, would be added when available and result in a 25 percent weighing for each of the factors in the allocation formula. The legislation includes a hold harmless clause bracketing year to year allotment changes to a maximum of 130 percent of the prior year's allotment and a maximum decrease of 10 percent below the previous year's level.

According to the bill, state level activities are to be undertaken by a dislocated worker unit (DWU) established by the governor. The state DWU will receive WARN notices for sites affecting 50 or more workers; contact employer, worker representatives, and substate grantees within 48 hours of receiving the notice; and

begin providing services within 15 working days. In doing so, the DWU is directed to: promote the formation of worker-management committees, prepare action plans for reemployment and training services, provide technical assistance, and coordinate with other state agencies as appropriate including economic development, education, the employment service, and the career centers.

To carry out these purposes, the governor is to make grants to substate grantees, employer and employer associations, transition assistance committees, employee representatives, industry consortia, or state agencies. In addition, the governor could authorize establishment of on-site transition centers if the center received substantial funding from non-public sources, had the concurrence of affected workers and their employer, and was administered in coordination with career centers in the substate area.

The relation between the advocated reemployment program and the existing JTPA structure is not spelled out. The governor has the responsibility to designate substate areas of worker displacement (SSA) with the provision that no JTPA service delivery area (SDA) shall be divided among two or more SSAs, and that a SDA will be designated a SSA if it contains a population of 200,000 and if it requests such designation. Private industry councils (PIC), SDA grant recipients and administrative entities under JTPA, private non-profit organizations, units of general local government, local offices of state agencies such as the employment service, public agencies such as area vocational schools and community colleges, or consortia comprised of the above are also eligible for SSA grantee status.

Title I makes the SSA grantee responsible for establishing one or more career centers in each substate area. Career center operators are to be chosen from a list similar to that eligible for SSA granteeships, plus community based private non-profit organizations, and any interested private for profit organizations. If the SSA grantee applies to operate a career center, the bill calls

for the PIC to make the career center selection decision. If the SSA grantee is the PIC, then the governor is to make the decision. Selections are to be made every four years using objective criteria and performance measures, though annual reviews are indicated. Criteria specifically mentioned in the administration proposal include the ability to: (a) deliver all services (Table 5), (b) utilize automated information systems, (c) meet performance standards for employer and participant satisfaction, and for quality service to hard-to-serve populations, and (d) administer referrals to education and training services in an objective and equitable manner.

The proposed legislation limits support of education and training for any one individual to $4750 during any 12 month period and to no more than 104 weeks in a five year period. Supported education and training must be part of a reemployment plan developed in conjunction with and approved by a substate career center.

Individuals with three or more years of tenure at the time of displacement will be eligible to receive up to 52 weeks of income support while in training if they enroll in training by the sixteenth week following permanent layoff or the fourteenth week after being informed that the layoff will be six months or longer. In addition, they must continue to make satisfactory progress as determined by the training provider and the career center. Individuals with at least one, but less than three, years of tenure would receive up to 26 weeks of income support under the same conditions. Income support during training would be identical to the weekly benefit amount the individual received when on UI.

Table 5. Services Provided by Career Centers: Proposed Reemployment Act of 1994

Basic reemployment services:

- Outreach
- Intake and eligibility determination
- Orientation
- UI initial claims filing
- Preliminary assessment of skill and service needs
- Information on occupation skill requirements and demand projections
- Job search assistance
- Job referral and placement assistance
- Information on education and job training programs
- Information on quality indicators and performance standards
- Group, peer, stress and financial counseling
- Soliciting and accepting job orders

Intensive reemployment services:

- Comprehensive and specialized assessments
- Development of individual reemployment plans
- Individualized counseling and career planning
- Case management
- Job development
- Out-of-area job search and relocation allowances
- Follow-up counseling
- Assistance in education and training provider selection
- Assistance in obtaining income support

The legislation calls for this income support to be funded through the establishment of a retraining income support account within the Unemployment Trust Fund. The bill establishes a schedule of maximum transfers from the trust fund for FY 1996 to FY 2000 ranging from $350 million in 1996 to $920 million in 2000. In any year that these caps are reached, provision of training income support and funding of individual education and training development plans will halt for the remainder of that

year.[31] Beginning with passage of the Reemployment Act of 1994, the legislation includes imposition of a 0.2 percentage point increase in the federal unemployment tax rate (FUTA) (to 6.2 percent from 6.0 percent) for purposes of funding the retraining income support account. The proposal foresees the account being fully financed through this tax beginning FY2000.[32]

One-stop Career Center System (Title II). Title II proposes annual funding at $250 million. The funds are to provide states "with the opportunity, on a voluntary basis, to develop and implement networks of one-stop career centers," and to "encourage a customer-centered approach to the provision of services." The relationship of the "one-stop" career centers of Title II to the career centers of Title I is not explained but, as noted below, the two titles contemplate separate management.

The legislation would require a workforce investment board (WIB) for each "one-stop service area." A one-stop service area is defined as (a) "the geographic boundaries of labor market areas within the state except that no SDA or SSA may be divided among two or more one-stop service areas; or (b) the area served by an SSA or a consortium of SSAs, or (c) the area served by an SDA or a consortium of SDAs." The WIB must be composed of: private sector employers (a majority of the WIB); representatives of labor organizations and community based organizations (25 percent of the board); representatives from educational institutions; community leaders from economic development agencies, human services agencies; job training providers; and a local

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[31]National Governors' Association, *Current Developments*, March 1, 1994.

[32]U.S. Department of Labor, *DOL FY 1995 Budget: Fact Sheets on Major Initiatives and Supplemental Materials*, February 7, 1994.

elected official.

The WIB is to serve three major functions. It is to develop strategic plans providing policy guidance for workforce development programs in the one-stop service area; identify occupations in demand and the training needs in the area; and review and approve the budgets of the participating programs.

Title II offers governors two options for establishing one-stop career centers for each one-stop service area. A "consortium option" consists of administering the centers by the employment service, the SSA grantee, the administrative entity designated under JTPA, the state agency charged with administration of the state's unemployment compensation law, and any public or private provider of employment, training, or social service. The "multiple independent operator option" makes eligible for consideration any entity or consortium of entities. However, Title II contains explicit language specifying that if the employment service or a consortium including the ES applies as a one-stop career center operator and that if the ES meets the criteria, then the WIB is required to select the ES or the consortium in which it is contained to be the operator.

The list of services to be provided to individuals by one-stop centers is nearly but not exactly identical to that required of the career centers of Title I. The exception is that the one-stop career centers will provide specialized employer services. These services would include: screening and referral, skill assessment of current employees, and analysis of employer workforce skill needs. The number of one-stop career centers would be determined by the WIB, taking into account the size of the labor market, the number of likely customers, and capabilities of potential operators, and the need for equitable access to centers by all segments of the population within the one-stop service area.

One-stop career centers would be permitted to charge fees for services as approved by their WIBs, except

to individuals eligible for services under Wagner-Peyser, JTPA, the Older Americans Act, and programs authorized under federal and state unemployment compensation laws. In addition, other human resource programs would provide services through the one-stop career centers if specific agreements were signed to that effect.

National Labor Market Information System (Title III). Title III provides funding for development of a "locally based, accurate, up-to-date, easily accessible, user friendly" labor market information (LMI) system containing information on "job openings, labor supply, occupational trends, current and projected wage rates by occupation, skill requirements, locations of programs designed to provide requisite skills, and labor market data necessary to assist public officials, economic development planners, education planners, and public and private training entities."

The proposal seeks appropriations of $250 million each fiscal year FY1995 to FY1999 for this activity. The bill does not specify a strategy for accomplishment of the goal. It simply gives the Secretary of Labor authorization to "enter into contracts and intergovernmental agreements, and to award grants to foster public-private partnerships" consistent with the purpose.

Unemployment Compensation Flexibility incorporates two variations on standard unemployment compensation practice that have received much attention in several states. The first is "short time" compensation permitting prorated unemployment compensation payments to workers who have had their hours of work involuntarily reduced by their employer in lieu of temporary layoff. The second is reemployment bonus programs in which the individual may receive UI benefits in a lump sum based on how rapidly reemployment is achieved.

Assessing the Administration's Proposals

In proposing the Reemployment Act, the administration has incorporated a number of lessons

gleaned from JTPA, EDWAA, TAA, REPP, and WARN experience. Like the camel, an animal allegedly designed by a committee and resultantly unattractive but remarkably well suited to the environment, the Reemployment Bill is ungainly but advocates desirable and promising services. The primary source of confusion is a number of seemingly overlapping concepts and structures giving this camel multiple humps. Prime examples of this confusion are (a) the distinction between service delivery areas (SDA), sub-state areas (SSA), and one-stop service areas; (b) career centers and one-stop career centers; and (c) workforce investment boards (WIB) and private industry councils (PIC).

Title I is largely a reaffirmation of what is currently being done under JTPA-EDWAA and TAA. The more unique elements of the proposed legislation are: the concept of one-stop career center-based employment, training, and career services; expenditure caps on individual training plans, the reinstitution of training income support; and the financing scheme behind the entire set of services proposed. Reflection on the specifics of the administration's proposed legislation raises a number of issues.

Administrative Structure. The proposed administrative structure mirrors closely that institutionalized under JTPA and EDWAA. Funding allocations flow to the state and local levels through channels similar to those in operation and under much the same rules as JTPA-EDWAA. The state dislocated worker unit (DWU) remains a key entity in implementing WARN and in coordinating state response to plant closure and mass layoff. The bill includes specific timing deadlines aimed at streamlining WARN petition processing through the DWUs. However, the bill does nothing to address the basic weaknesses of WARN; namely, its exclusionary clauses and its lack of an adequate enforcement mechanism.

At the local level, workforce investment boards (WIB) with membership from business, labor, education,

training, local government, and community organizations would be given responsibility for program policy guidance and for overseeing the operation of the one-stop career centers. The proposal explicitly opens the door to JTPA private industry councils (PICs) becoming WIBs. A fundamental issue is the extent to which PICs would be able to take on the broad perspectives outlined for WIBs without losing their focus on the needs of the economically disadvantaged. On the other hand, maintaining separate WIBs and PICs would have entities of almost identical membership providing identical services to populations differing only in their previous employment stability and earnings experience.

Career Centers. Most important to the concept of the one-stop shop is not the one-stop but what is on the counter at the shop. There is no advantage in having only one place to shop. The key is the assurance that wherever one-stops, access to all relevant services is available. The services enumerated for the one-stop career centers are what is currently available in the best of the state employment services and what was available more generally in state employment services before the budget declines of the early 1980s. A return to the more extensive and more intensive range of services is clearly to be welcomed.

The proposed legislation states that career center operators functioning under Title I of the Act are an eligible entity for operating the one-stop career centers described under Title II. While the clienteles described under the two titles are different, the services to be provided by the two career centers, as described in the bill, are largely the same. The major difference is the inclusion of customized service to employers in the case of the one-stop career centers of Title II, but not in the case of the career centers of Title I. Given these similarities, a convincing rationale for separate structures is unclear.

Fundamentally, politics is a major factor. Where displaced workers have historically been the responsibility

of EDWAA and the JTPA system in most states, provision of similar services to the general population has typically been the purview of the ES. The underlying issue, only partially reflected in the Reemployment bill, is the "reinvention" of the public employment service.

The one-stop shop idea has been part of the employment and training landscape for at least a quarter century and has reappeared during the past five years as the states have wrestled with reinvention.[33] Some states have adopted an "umbrella agency" format in which employment and training programs are administered through a single department or administrator linking ES, UI, TAA, and JTPA services. The step beyond this, one in operation in a number of states and localities, is the full one-stop shop concept in which employment and training services are co-located to reduce duplication and facilitate access. Advocated but never yet accomplished has been a single access point where a troubled family might be helped by a case manager/advocate to work out a rehabilitation plan and then be guided to the needed services, rather than be left to shop blind for them among social service agencies, even if under one roof.[34] Other states have opted to remain non-umbrella states. It is this variety in practice that accounts for the Reemployment bill's range of options in configuring the one-stop career center idea. The direction in which the administration would like to move the system is clear. How far the system will move and how rapidly is less so.

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[33]National Commission for Employment Policy, *Assisting Dislocated Workers: Alternatives to Layoffs, and the Role of the Employment Service under EDWAA*, Special Report Number 30, October 1991.

[34] Sar Levitan, Garth Mangum, and Marion Pines, *A Proper Inheritance: Investing in the Self-Sufficiency of Poor Families* (Washington, D.C., Center For Social Policy Studies), July 1989.

Consolidation of programs was one of the rallying cries behind the administration's effort to create a reemployment system. The one-stop career center concept preaches consolidation, but has raised a number of turf disputes. As a result, the proposed Reemployment Act skirts the battle lines, seeking to craft a complex middle ground. Resolution of the issue of two separate but seemingly indistinguishable service structures will be a subject either to protracted congressional debate or simple rejection as nonsensical.

Tenure Screens and Training Expenditure Caps. Capped expenditures of $4750 per trainee in any 12 month period is ample if used for tuition publicly in supported postsecondary training institutions as long as retraining income support is on top of that amount. The expenditure cap, however, may restrict some displaced worker retraining undertaken in specialized programs at proprietary schools and other institutions not receiving public support.

The training expenditure cap proposal implicitly assumes that displaced workers with less tenure at the time of displacement will require shorter retraining. While the $4750 training cap does not vary with tenure, the weeks of retraining income support offered an individual with less than three years of tenure is half the 52 weeks of income support offered an individual with three or more years of tenure at the time of dislocation. The differential in retraining income support will likely influence individual access to long-term versus short-term training. Still, as long as training is undertaken by the sixteenth week of unemployment compensation recipiency, a minimum of 36 weeks and a maximum of 62 weeks of income support is available, far longer than the present average duration of TAA and EDWAA training. An earlier start can lengthen the income supported training period even further.

The arbitrary nature of the three year tenure screen carries with it strong possibilities of significant discontinuities in training as well as a variety of potential

inequities. It is questionable whether differential services to one group of displaced workers over another group can be politically justified on grounds of length of tenure. For example, a likely side effect of a tenure screen may be a tendency to limit the eligibility of minorities, women, and other groups with lower than average job tenure. The higher the tenure screen, the greater the selectivity. Conversely, the setting of the tenure screen influences the size of the population eligible for longer term income support, projected program costs, and the number of individuals who can be served for a given dollar amount. On the other hand, of course, the longer the tenure required, the fewer the number of eligibles and the less the budgetary consequences.

The Role of Competitive Processes: The legislative proposal expresses an underlying faith in the power of competitive processes. The legislation appears to advocate competition in the determination of SSA grantees, career center operators, and one-stop career centers, competition as customers choose among the one-stop career centers located in their region, and a system in which customers make informed assisted choices among training providers and where tuition dollars follow the customers. Yet in important ways the legislation bridles competition in service provision. One example is the selection of one-stop career centers. The bill explicitly provides that if the Employment Service, or a consortium including it, applies and meets the criteria for operating a one-stop career center, then the WIB is required to select the ES or its consortium. This appears to be irrespective of whether other eligible parties are also qualified. Interestingly, this same ES priority clause does not exist in the language surrounding selection of Title I career centers.

While some of the proposal has apparently been written from the perspective that increased competition is always desirable, other parts of the bill appear to value long experience and institutionalization. The perspective is deserving of additional questioning. For example, client ability to choose among career centers implies multiple

centers in relatively close geographic proximity. The advantages of competitive pressure from multiple service providers must be weighed against the costs of duplication. The major function of the career center is to provide information on reemployment services and to act as referral agent to education and training providers. Given different operators of different career centers, competition between alternative providers would be on the basis of access to and ability to effectively communicate information. If competition underlays the institutional arrangement, entities would perhaps become less free with information. When cooperation across information sources is the sought for outcome, a competitive framework may be counterproductive.

The Displaced or the Economically Disadvantaged?

The Reemployment Act of 1994 proposes a significant increase in the financial resources devoted to assisting displaced workers. FY 1995 budget proposals for displaced worker assistance represent a 64 percent increase over FY 1993 expenditures and a 18 percent increase over FY 1994 expenditures (Table 6). In contrast, DOL's FY 1995 budget proposal for programs explicitly serving the disadvantaged represent a 11 percent increase over FY 1993 and a 13 percent increase over FY 1994 (Table 7).

Table 6. Reemployment Program Initiatives
(Budget Authority in Millions)

	FY 93	FY 94	FY 95	FY 95 Increases Over FY 93	FY 95 Increases Over FY 94
Worker readjustment (JPTA Title III)	$651	$1118	$1465	125%	31%
TAA	211	207	231	9%	12%
Benefits	131	127	151	15%	19%
Training	80	80	80	0%	0%
NAFTA-TAA	-	14	43	14%	221%
Benefits	-	5	22	5%	340%
Training	-	9	21	9%	152%
Defense conversion	62	57	-	-	-
Defense diversification	-	75	-	-	-
Clean air	50	-	-	-	-
Disaster assistance	85	-	-	-	-
Subtotal	1059	1470	1739	64%	18%
Career centers	-	50	250	-	400%
Worker profiling	-	9	9	-	-
Subtotal	0	59	259	-	339%
Employment services	895	918	918	3%	0%
Labor market information	-	-	250	-	-
Subtotal	895	918	1168	31%	27%
Total	1954	2447	3166	62%	29%
Number of participants (thousands)	381	569	750	-	-

Source: U.S. Department of Labor, DOL FY 1995 Budget: Fact Sheets on Initiatives and Supplemental Materials, Feb. 7, 1994

Table 7. DOL Programs for the Disadvantaged (Budget Authority in Millions)

	FY 93	FY 94	FY 95	FY 95 Increases: Over FY 93	Over FY 94
Youth programs					
Youth training grants	$677	$659	$599	-11.5%	-9.1%
Summer youth	1025	888	1056	3.0%	18.9%
Job Corps	966	1040	1157	19.8%	11.3%
School-to-work/ skill standards	-	50	162	-	224.0%
Youth fair chance	50	25	25	-50.0%	0.0%
Subtotal	$2718	$2662	$2999	10.3%	12.7%
Adult training grants	$1015	$988	$1130	11.3%	14.4%
Total	$3733	$3650	$4129	10.6%	13.1%

The Reemployment Act as currently proposed, contains a separation of basic employment services to displaced workers relative to other workers. The proposed legislation implies displaced workers receiving basic employment services along with referral services from career centers, while the disadvantaged and others desiring employment services might face a more fragmented system. The separation of services, with the possibility that service quality could differ has raised concern whether the Reemployment bill signals the cutting of services to the economically disadvantaged.

Job Creation: Finally, the administration's proposal offers no link to federal job creation efforts. Recognizing that the provision of employment and training services has limited value in the absence of expanding job opportunities, an expanding economy is an

obvious boon to an effective displaced worker policy. In its absence, a stand-by public service employment program triggered by high unemployment rates is one effective tool for addressing the involuntary unemployment of displacement while providing worthwhile services that might otherwise be neglected.[35]

[35]Sar A. Levitan and Frank Gallo, *Spending to Save: Expanding Employment Opportunities* (Washington, D.C., Center for Social Policy Studies), Occasional Paper 1991-2, May 1991.

The Displaced vs. the Disadvantaged

*I*n considering the potential competition between services to the displaced and services to the disadvantaged, it is well to recognize the overlap between them. Though the displaced are not generally poor, 48 percent of them in 1990 and 1991 had annual household incomes under $25,000.[36] Over one-fifth (21 percent) of the families of displaced workers in 1991 were living in poverty compared to 14 percent of the entire working age population.

Though not overrepresented among displaced workers in general, women and minorities are overrepresented among those needing support services and minorities are overrepresented among displaced workers deficient in literacy skills and English language facility. Females and minorities also experience longer periods of unemployment than other displaced -- 3.4 weeks longer for females than males and four weeks longer for minorities than whites. They are also overrepresented among part-time and seasonal workers who are eligible for Reemployment Act services. Both groups are less likely than their counterparts to find reemployment in similar industries and occupational groupings and more likely to experience lower wages in subsequent jobs, 20 percent below in the case of women.

Having lower pre-displacement earnings and more sporadic previous employment, these disadvantaged and near-disadvantaged will be in greater need for both adjustment services and income support. The

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[36]*Proposed Reemployment Act of 1994: Benefits for Female and Minority Dislocated Workers*, U.S. Department of Labor news release Feb. 28, 1994.

Reemployment Act may not be designed specifically for them but it will not pass them by.

The social policy emphasis of the 1960s was rehabilitating the economically disadvantaged. War was declared on poverty, and though it was not won, it was persistently pursued. The antipoverty effort continued throughout the 1970s, but the new agenda was mainstream worker protection manifested in OSHA, ERISA, and the early public service employment component of CETA. Even the more vigorous enforcement of equal employment opportunity laws during the decade was focused on mainstream concerns since it was the skilled and educated among racial and ethnic minorities, women and the aged who had claims on its protections. Following a decade of retreat and retrenchment during the 1980s, the 1990s may one day be labeled the decade of workforce investment.

There are several possible arenas for workforce investment: from the mainstream educational system to employer provided training, from higher (longer) education to remedial basic education, from the disadvantaged to the displaced. There is no inherent and undebatable reason for preferring one arena to another. The objective interest is in seeing idle or otherwise underutilized human resources put to more productive use. From that all benefit. The more experienced and potentially productive the underutilized individual, the greater the economic loss from their underemployment and the greater the economic return from their reemployment. But the incidence and magnitude of the social costs of neglecting the socioeconomically disadvantaged and the social gains of accomplishing their rehabilitation may be even greater. Since the former have demonstrated commitment and achieved at least moderate success prior to their displacement while the latter are unproven, the risk differentials are obvious.

Displaced worker legislation has been motivated by a number of factors. Three have historically been most important. Socially, these programs have been invoked

when governmental policy changes, intended to advantage the many, have a disproportionately negative impact on the few. The justification for intervention is compensatory. Politically, intervention is designed to reduce opposition to job-threatening policy decisions. Economically, all have a vested interest in facilitating the return of willing workers to producing, earning, and spending.

There are sizeable average present discounted earnings losses associated with displacement. Consequently, displaced worker policy cannot and should not attempt to fully indemnify displaced workers for their losses. No matter how deserving, there is no use pursuing the impossible and the insupportably expensive. The policy goal should be getting them all back to work as soon as reasonably possible in the best employment available through adroit use of all the tools at hand -- counseling, job search assistance, remedial education, skill training, and relocation. Income maintenance, beyond temporary unemployment compensation for those reasonably likely to be recalled or to find new employment in their former occupations, makes sense only as a support to retraining, except perhaps as a temporary bridge into imminent and already earned retirement.

The displaced workers having difficulty finding new jobs will likely be those with firm specific skills in declining industries or those with little substantive skills. Some have performed well previously despite functional illiteracy, but are not likely to get new jobs or succeed in retraining programs without remedial education. Displaced workers need access to remedial education, classroom training, and on-the-job training -- the mix of these being flexible on a case by case basis. Given the life situations of many displaced workers, remedial education and classroom training should never be in structured academic years. Rather, they should be individualized, modularized, competency-based, open entry programs with exit determined by skill acquired and employment obtained, not by time served.

Classroom training is most appropriate for generic occupations, not for firm specific ones. Limitation to classroom training can cut off access to a wide range of attractive occupations learnable only in the workplace. The occupations for which classroom training is appropriate are generally outside the manufacturing sector in which on-the-job training is the prevailing mode of skill acquisition. Classroom trainees must still find a job upon completion; placement usually precedes on-the-job training. On-the-job training, by definition, presupposes employer involvement. That can be motivated by the carrot or by the stick -- by a hiring subsidy or a tax credit or by some kind of training requirement. Absent the political will for the latter, adroit combinations of preliminary classroom preparation followed by modest OJT subsidies and on-the-job coaching to meet employer needs are rare but promising.

The displaced are generally a very different clientele with different motivation than many disadvantaged workers. Often the displaced were relatively high earners with higher than average educational attainment. As such, they may require different degrees and types of personal and employment counseling than typical disadvantaged individuals. Given their greater work experience, retraining for the displaced can often begin at a more advanced level. The economically disadvantaged typically lack the demonstration of commitment and are hindered by the incidence of personal shortcomings and dysfunctional lifestyles. The rehabilitation requirements and the likelihoods of success may differ substantially. Separate programs for displaced workers are justifiable because of these differences, but that does not mean that the social value of one effort necessarily exceeds the other or that the consequences of neglect are clear in either case. Job search assistance, on-the-job training, classroom training, and remedial education are the major tools for assisting the displaced and the disadvantaged alike. Though supporting funds may flow from separate legislation and the intensity and mix of some of the services may differ, programs to serve the displaced should be allied with

programs serving the disadvantaged so as to exploit any existent economies of scale in service provision. The notion of apparently separate career centers implied by Titles I and II of the Reemployment Act comes to mind.

Those who emphasize rehabilitation of the disadvantage would be unwise to oppose the expansion of reemployment services for the displaced. The two are inherent collaborators, not competitors. Had the administration fought for it, badly needed increases in JTPA funding for the disadvantaged might have been won. But, the disadvantaged are apparently not a Clinton administration priority. However, less for the displaced is not the answer to the needs of the disadvantaged. There is no reason to believe that funds not appropriated to serve the displaced would be automatically allocated by Congress to the rehabilitation of the disadvantaged. The trade-off is much more likely to be with deficit reduction or some more obscure priority.

Programs for rehabilitation of the disadvantaged have been tainted by the minimal success rates flowing from minimal per capita expenditures and minimal remedial education and skill training durations which have characterized them throughout their thirty year history. It is no accident that the only consistently praised program for this population -- the Job Corps -- more than quadruples the average costs of its maligned compatriot programs. The rehabilitative effort must regain its own political support, then demonstrate the social as well as economic returns of a more intensive investment. But at least an expanded service capability for the displaced will be available to serve the disadvantaged, assuming full and sustained funding of the pending Reemployment Act.

Displaced worker training programs, like training programs for the disadvantaged, have in the past suffered from overly zealous attempts to do it "on the cheap." Funding, as noted, has been sufficient for only ten percent of the eligible displaced, but for only five percent of the eligible disadvantaged. In both cases, disadvantaged and displaced alike, training has almost always been of too

short duration to achieve employment at adequate incomes. The Reemployment Act imposes expenditure caps on the direct training support of each individual as well as on income support during training. Further, adjustment services in total face expenditure caps. The ever present temptation in such situations is towards shorter term and less expensive interventions in order to spread scarce dollars across the multitude. The lessons of the past are uncontroversial on this point. It is better to cut the number served than it is to cut the average quality of the services provided.

The greatest potential contribution of the proposed Reemployment Act of 1994 is a return to income support during training, an essential for those lacking an alternative source of income maintenance. Integration of training with UI for an early start on skill retooling is important, but continuing stipends beyond the UI period and to the end of training is vital. Whether a displaced worker will need remedial education or not, it still takes time to learn any significant skill. Programs of less than one academic year (36 weeks) are likely to provide marginal assistance, at best, since most substantial skills as taught in postsecondary training institutions seem to require at least the equivalent of two academic years.

Longer duration training is often impossible absent retraining income support, particularly in the case of displaced workers likely to be adults with dependents. Where the Job Training Partnership Act overreacted to the excesses of stipends under the Comprehensive Employment and Training Act, the Reemployment Act signals a return to a reasonable stipend approach tied to the unemployment insurance system. Reinauguration of training stipends for the displaced will illustrate the need and justification for similar treatment of the disadvantaged who are effectively denied access to training stipends unless they are welfare recipients.

The proposed Reemployment Act of 1994 represents a significant investment in employment and training services for displaced workers. Given political

realities, the improvement and expansion of displaced worker policies is important in efforts to achieve sensible trade and defense policy. Such policies, along with sensible improvements in health care and welfare reform, will make more rational the allocation of limited resources. Directly and indirectly, such improvements will increase our ability to also assist the less fortunate among us.

The proposed Reemployment Act faces significant debate. Its financing mechanism, an increase in the federal unemployment compensation tax, will be fought. The one-stop career center concept raises a number of interagency turf conflicts at federal, state and local levels. And finally, the Reemployment Act carries a large total price tag. Whether the nation can afford to help its displaced to this extent will be questioned. But whatever the legislative outcome, it should be recognized that this camel-like product of numerous in-house DOL committees is essentially well-adapted to its chosen environment. It is potentially a beast of burden fit to survive and bear its load in the economic desert of disability and disadvantage.

THE AUTHORS

Sar A. Levitan is Director of The George Washington University Center for Social Policy Studies and Research Professor of Economics.

Stephen L. Mangum is Associate Professor, Department of Management and Human Resources, The Ohio State University.

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